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18 January 1961

CURRENT INTELLIGENCE WEEKLY SUMMARY



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~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

~~CONFIDENTIAL~~

18 January 1961

THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

LAOS Page 1

The Kong Le - Pathet Lao forces have moved southward to disrupt General Phoumi's planned counteroffensive toward the Plaine des Jarres. The Pathet Lao forces north of Luang Prabang appear to be building up for an eventual attack on the royal capital. At the same time, the Pathet Lao have taken steps toward establishment of a "national" coalition government by setting up a coalition government for Xieng Khouang Province. The general bloc position still appears aimed at containing the civil war, but a Soviet spokesman has stated that introduction of the T-6 aircraft into Laos could lead to expansion of the conflict. [REDACTED]

CONGO Page 3

Lumumba's transfer from the Leopoldville Province camp to Elisabethville probably was designed to increase security controls over him, but may also be connected with the forthcoming round-table conference of Congolese leaders, now scheduled for February in Elisabethville. In northern Katanga Province, Gizenga troops retain the initiative. UN Secretary General Hammarskjold reaffirmed his intention to keep his personal representative in the Congo, but has turned the issue over to the Security Council. [REDACTED]

CUBAN AND HAITIAN DEVELOPMENTS Page 4

The Castro regime has embarked on a new drive to eliminate the anti-Castro guerrillas in the mountains of central Cuba, recognizing that as long as a center of such resistance remains, antigovernment activists will be encouraged. Castro, while expressing some hope in his 14 January speech for better relations with the new US administration, made clear that there will be no Cuban concessions to this end. In Haiti, President Duvalier, in the continuing school strike, faces the most open challenge to his authority yet encountered. [REDACTED]

EL SALVADOR Page 5

Key elements in El Salvador are alarmed over the danger of a Communist takeover. Communists and their sympathizers continue to entrench themselves [REDACTED]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

PART I (continued)

provisional government--which has been in power for almost three months--and to build up mass support, including what appear to be the beginnings of a people's militia.

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PART II

NOTES AND COMMENTS

EAST-WEST RELATIONS Page 1

Recent bloc news commentaries and propaganda charges of US harassment of Soviet merchant vessels reflect an effort to differentiate between the present unsatisfactory state of relations and Moscow's expectations of improved relations under the new administration. In private, Soviet and other bloc spokesmen, while indicating that Khrushchev is willing to withhold pressure for immediate high-level talks, have continued to stress the need for serious negotiations on disarmament, a nuclear test ban, and the Berlin and German questions.

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ALGERIA-FRANCE Page 3

The Algerian rebel provisional government announced this week that it is ready to resume negotiations with France on the future government of Algeria. Although the announcement restates a position the rebels have held for some time, it implies a more moderate attitude toward the French than at any time since the breakdown of talks last June. Nevertheless, the rebels warned Moslems not to cooperate with French efforts to establish a new transitional administrative structure in Algeria. This and the lack of any assurance that terrorism and military activity are to cease still hamper the reopening of negotiations.

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11

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

PART II (continued)

IRANIAN ELECTIONS Page 4

The parliamentary elections in Iran--which are expected to continue at least for several weeks--are being so arranged that candidates favored by the Shah will win in nearly every constituency. The voting may be followed by stronger protest demonstrations than those which forced suspension of elections last August. Tehran is aware of this danger, however, and is trying to avoid undue repercussions.

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DIFFICULTIES IN CHINESE INDUSTRY Page 5

Chou En-lai, in discussing criticism of Chinese industry made by members of a visiting Japanese industrial mission, did not deny that China's industrial plants, even the "showplaces," are having problems with low-quality output, shortages of materials, and lack of coordination in production. He said China must rely on mass manpower in industry because the lack of machinery and equipment was causing delays in completing high-priority projects. He made no explicit charges against the Soviets, but in reference to marine equipment--formerly supplied by the USSR--he did say that China was finding it necessary to produce these items domestically.

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PEIPING SEES NO CHANGE IN RELATIONS WITH US Page 6

Peiping's top foreign policy authorities have recently implied that the change in US administrations will have no effect on China's basic hostility toward the United States. In separate interviews last November, which have just been published, Premier Chou En-lai and Foreign Minister Chen Yi pointed to Taiwan as the principal stumbling block to improved relations; Chen said it might take "ten, twenty, or thirty years" to solve the problem. While both tried to emphasize Sino-Soviet unity, they acknowledged differences on a wide range of issues. Chen intimated that in the future China would depend less on Soviet economic help.

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USSR CENTRAL COMMITTEE PLENUM ON AGRICULTURE Page 8

Khrushchev has again taken the initiative in the latest attack on the USSR's chronic internal problem, agricultural production. The Ministry of Agriculture is apparently to be completely overhauled and additional investment allocated to agriculture. Preliminary reports from the central committee plenum now in session indicate that high-level personnel changes are under consideration. Khrushchev's program was presented in advance last week to participants in the plenum in the

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

PART II (continued)

form of draft "theses" of his speech delivered on 17 January but not yet published. [REDACTED]

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YUGOSLAVIA ATTEMPTS TO EXPLOIT BLOC DISUNITY Page 9

Recent Yugoslav moves against Albania and Communist China apparently are intended to demonstrate that these countries, contrary to the policy of the USSR and other bloc states, continue to maintain a hostile attitude toward Belgrade. The Tito regime is thus seeking to call attention to--and, if possible, increase--disunity within the bloc concerning the Yugoslav problem; it hopes in this way to aggravate Moscow's over-all difficulties with Peiping and Tirana. Belgrade has long sought to encourage a general loosening of bloc ties and to persuade Moscow that it must condemn the "Stalinist" Chinese and Albanian regimes. Peiping has to date responded to Yugoslav provocations only by propaganda attacks; Albania has increased the volume and bitterness of its verbal assaults and may step up its subversive activities against Yugoslavia. [REDACTED]

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POLISH CHURCH RESISTS REGIME ATTACKS Page 10

The Roman Catholic Church in Poland, faced with severe and partially successful attacks by the regime during the latter part of 1960, has recently adopted bolder tactics against the regime and has become much more outspoken in its own defense. Party and government leaders may make some temporary concessions because of their desire to avoid church opposition during the spring election campaign. [REDACTED]

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SOVIET ARMS DELIVERIES TO IRAQ Page 11

The large-scale Soviet deliveries of arms and military equipment to Iraq which were begun in late November apparently will continue through the first few months of 1961. Several Soviet merchant ships have transported military cargo to Basra--including T-54 medium tanks, artillery and large quantities of ammunition, trucks, and other materiel. The current deliveries probably are the result of the second Soviet-Iraqi arms deal, negotiated during the past summer [REDACTED]

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[REDACTED] Under this agreement Iraq is scheduled to receive MIG-19 jet fighters and possibly large AN-12 military transports. [REDACTED]

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iv

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

PART II (continued)

INDONESIAN MISSION TO MOSCOW Page 12

The Indonesian mission which recently visited Moscow negotiated new arms purchases, principally of additional combat jet aircraft and land armaments. The new Soviet credits raise bloc military commitments to Indonesia to more than \$500,000,000 and total bloc assistance to approximately one billion dollars. The mission again serves notice to the West of the importance of Indonesia's claim to Netherlands New Guinea in shaping Djakarta's foreign policy, and has been officially justified in Djakarta as necessary to counter an alleged Dutch build-up in New Guinea. [REDACTED]

WEST GERMAN RELATIONS WITH THE SOVIET BLOC Page 14

Chancellor Adenauer's government has made cautious overtures to both Moscow and Warsaw in recent weeks to create a "better atmosphere" in Bonn's relations with the Soviet bloc. In view of the national elections this year, Adenauer probably wants to convince the German public that he can be flexible in dealing with the East and that he is not, as Soviet propaganda often depicts him, an obstacle to an international detente. Adenauer is also trying to show his Western allies that Bonn wants a voice in any high-level East-West negotiations during the coming year. [REDACTED]

MACMILLAN'S FORTHCOMING VISIT TO DE GAULLE Page 15

In talks with President de Gaulle on 28-29 January, Prime Minister Macmillan will be interested mainly in narrowing the divergence between the rival European trading groups--the Common Market, in which France participates, and the British-backed European Free Trade Association. Major East-West trouble spots such as Laos and Berlin and the means of combating Communist influence in Africa will probably receive major attention, as will an appraisal of the new American administration. [REDACTED]

SPANISH-SOVIET TRADE RELATIONS Page 15

Spain is trying to expand its trade with the Soviet bloc. Besides pressing Spanish petroleum refineries to purchase Soviet crude, Madrid is undertaking to provide Spanish-built tankers to the USSR. Work on two tankers for the USSR is reported under way. The government anticipates a drop in trade with Western Europe as the Common Market becomes more effective, and Madrid feels the need to expand exports to other areas. [REDACTED]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

PART III

PATTERNS AND PERSPECTIVES

PUBLIC AND PARTY INSTABILITY IN EAST GERMANY Page 1

In reaction to deep-seated public discontent and party disaffection, East German leader Walter Ulbricht has instituted a purge of local officials and is carrying out an intensive screening and reindoctrination of all party members. He is apparently restrained, however, from dealing effectively with his major problem--mass flights to West Berlin--by Khrushchev's desire to avoid a Berlin crisis pending possible negotiations with the Western powers.

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vi

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

PART I

OF IMMEDIATE INTEREST

LAOS

The Kong Le - Pathet Lao forces are exerting strong pressure on government troops south of Xieng Khouang town. The post of Ban Ta Viang has been occupied by the enemy, and the more important government position at Tha Thom, about 15 miles east of Ban Ta Viang, now is threatened. The Kong Le - Pathet Lao forces in Xieng Khouang Province are estimated to

order ultimately to imperil Vientiane and Savannakhet.

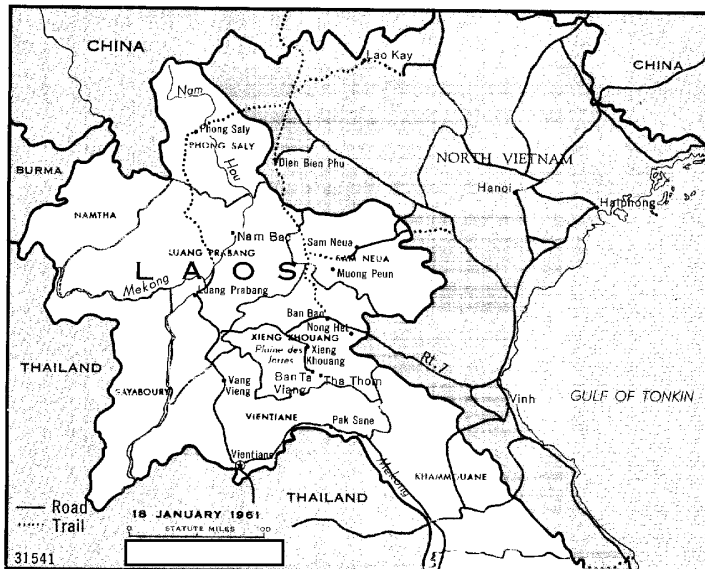
His setbacks in the Ban Ta Viang - Tha Thom area do not appear to have dampened General Phoumi's optimism that he can soon proceed with a multipronged offensive against the Plaine des Jarres area. A major obstacle to a government move on the Plaine des Jarres from the west

has been removed with the occupation of Vang Vieng, about 70 miles north of Vientiane. Vang Vieng had been a major drop zone for Soviet IL-14 air support flights. Press reports that the enemy has retaken the Vang Vieng airstrip indicate the government may have difficulty consolidating its control in the area.

Should the government forces consolidate their control at Vang Vieng, they will presumably try to move northward to link up with other

troops which recently came down from Luang Prabang to secure the junction between the Vientiane - Luang Prabang road and the road leading eastward to Xieng Khouang. Late reports indicate, however, that this junction may have been retaken by the enemy following shelling by a 105-mm. howitzer.

North of Luang Prabang, the Pathet Lao appear to be continuing



number about 3,500, while the government has some 2,300 regulars plus 1,500 Meo tribesmen capable of harassing the enemy. The southward thrust of the antigovernment forces has as its minimum objective the disruption of General Phoumi's planned offensive to retake the Plaine des Jarres. Continued gains in the Tha Thom area may induce the enemy to keep moving toward Pak Sane in

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

their build-up for an eventual attack on the royal capital, although they do not yet seem to have moved much farther south than Nam Bac, about 55 miles north of Luang Prabang. The royal capital is strongly defended, but there is some possibility that Phoumi may thin out the garrison there to augment forces slated to move against the Plaine des Jarres.

The four T-6s given to Laos by the United States are flying daily missions against ground targets in support of operations against the Kong Le - Pathet Lao forces. To date they appear to have been relatively ineffective. There is little evidence that Laotian pilots have made any serious effort to interdict Soviet air supply.

The Pathet Lao and Quinim Pholsena, self-styled "acting premier" in Souvanna Phouma's absence of the "lawful government of Laos," have announced the formation of a coalition provincial government for Xieng Khouang Province. This action may be the precursor of the formation of a "national government," organized along similar lines. In the meantime, the Pathet Lao can be expected to seek to obtain a strong administrative hold on Xieng Khouang, control of which, together with Sam Neua and parts of Phong Saly Province, would put them in a strong bargaining position in any integration negotiations which might result from international action on the Laotian crisis.

Souvanna Phouma in Phnom Penh continues to maintain that he is the head of the legal government in Laos. He told

a journalist on 11 January that the Boun Oum government was not legal and that he did not accept the King's decision last month removing him from power. He added that he had no intention of "resigning," but that he would not go to Sam Neua to join Quinim and Pathet leader Prince Souphannouvong. Souvanna stated that although Quinim acted on his own initiative in requesting Soviet military aid in mid-December, he considered such aid legal. He said that he would have done the same had he still been in Laos at the time.

Ex-Premier Phoui Sananikone meanwhile is considering a trip to Phnom Penh to discuss with Souvanna a broadly based government in Laos. Phoui has told American Embassy officials in Vientiane that it is essential for Souvanna to return, and that as a preliminary to "complete national reconciliation," Souvanna might be induced to accept a government representing all shades minus the Pathet Lao front, the Neo Lao Hak Sat. Phoui feels strongly that Laos can never be won by force of arms and that the present government does not enjoy sufficient popular support.

Soviet First Deputy Foreign Minister Kuznetsov officially warned the US on 16 January that by introducing the T-6 aircraft into Laos it ran the risk of "broadening the conflict." Moscow radio has called for "resolute measures" to prevent the use of the T-6s, and on 14 January Peiping quoted Kong Le as stating that if the US did not halt such "aggressive acts," he would "appeal to the fraternal countries...to supply the Souvanna Phouma government with similar arms."

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

Moscow, Peiping, and Hanoi have now all accepted a proposal made by Prince Sihanouk for a 14-nation conference on Laos. The meeting would presumably be held in Cambodia and would include representatives from Burma, Thailand, and South Vietnam, along with the 1954 Geneva participants and member countries of the ICC for Laos. This maneuver, which capitalizes on growing Asian concern over the course of events in Laos, seems intended to retain the bloc's initiative on the diplomatic front and provide a means to obstruct any suggested solutions to the Laotian crisis on Western terms.

The bloc may also feel that endorsement of the proposal will encourage what it claims is increasing evidence of disagreement among the Western allies concerning a policy toward Laos.

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CONGO

In Katanga Province, the initiative remains with Gizenga forces and their tribal allies. Stanleyville troops and dissident Baluba tribesmen apparently control the UN-policed "neutral zone" in the northern part of the province, with the UN unable to take any countermeasures.

put down, but the questionable reliability of the troops has further jeopardized Mobutu's ability to meet the military challenge from Stanleyville.

Lumumba's transfer from the Leopoldville army camp to Elisabethville probably was designed to increase the security control over the ex-premier. It may also be connected with the forthcoming round-table conference of Congolese leaders, now scheduled for February in Elisabethville.

Relations between the UN and the Kasavubu government continue to worsen. On 14 January Kasavubu demanded that Rajeshwar Dayal, Hammarskjold's personal representative, leave the Congo.

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In Elisabethville, Katanga's capital, President Tshombé's distrust of his African troops apparently is growing, and the native civilians in many of the province's important mining cities reportedly are increasingly restive. Tshombé's regime

may be recruiting a European foreign legion to serve as a reserve security force.

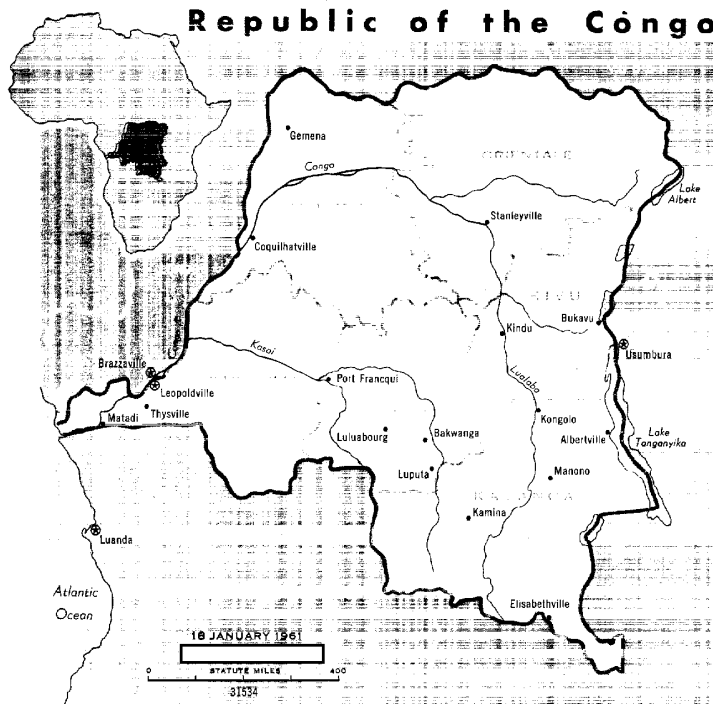
In the Leopoldville area, a brief anti-Mobutu mutiny in the army appears to have been

On 16 January

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

18 January 1961



however, Hammarskjold publicly reiterated his confidence in Dayal and refused to recall him.

Before he received Kasavubu's demand, Hammarskjold had told American officials that he was "very determined" to keep Dayal in the Congo, despite a campaign of "Russian-type" innuendo which he implied was coming from Western sources. Subsequently he added that public pressure would prevent his yielding to Kasavubu's request. He informed Kasavubu that the problem would be turned over to the Security Council.

CUBAN AND HAITIAN DEVELOPMENTS

Havana is making a new effort to eliminate the potential threat posed by anti-Castro guerrillas in the mountains of central Cuba. There are some indications that Fidel Castro himself is directing the anti-guerrilla operations. The new drive is evidently motivated by recognition that as long as there remains a rallying point inside Cuba, the resistance could snowball into a major effort, as Castro's own experience proved.

There was a smaller turnout than usual at the 14 January rally in Havana, called to obtain the "peoples' ratification" of government preparations to resist the "imperialist invasion" the

government had been describing as imminent for more than two weeks. Fidel Castro and President Dorticos explained, in the former's words, that "any criminal surprised in the act of committing a crime can be stopped before he commits it," thus implying that Cuba's preparedness had stopped the invasion.

It was announced at the rally that the "national mobilization" would be continued through 20 January, and the hope was expressed that the new administration in the United States would "make rectifications" toward Cuba. However, Castro went on, "the headache is not ours.... If there is no rectification, that is also very good.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

We will continue our unalterable determination and we will be stronger, better armed, better trained every day."

In Haiti, President Duvalier faces the most open challenge to his prestige in more than three years in office. On 16 January, the date announced for the opening of the university after a two-month "vacation," only a handful of students appeared for classes, despite the President's sudden switch from heavy-handed threats to cajolery in an effort to end the strike. The students' resistance to the government's efforts to convert the school system into a political instrument of the regime is being exploited by the underground opposition. One opposition group, apparently linked to Haiti's small Communist movement, is circulating a call for the formation of a united front to oust Duvalier.

The Roman Catholic Church, which operates a number of

schools in Haiti but does not exert corresponding influence in other spheres of Haitian life, is under attack for supporting the students' "subversive activities." The archbishop was summarily expelled last November at the outset of the school crisis, and his successor and a number of other priests were forced to leave last week. The Vatican's 12 January excommunication of all officials responsible for the expulsions will probably lead to further efforts by the President to eliminate the church from the education field and to "Haitianize" the church. It has long been under attack for the fact that most priests in Haiti are foreigners, mainly French.

Barring the always possible eruption of mass violence in the capital, the regime will probably survive the current crisis. The Haitian Army, the key to the stability of the regime, still appears to be supporting the President.

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EL SALVADOR

Leading military and political figures in El Salvador are becoming gravely concerned over the continuing effort by the Communists and their sympathizers to build up mass support and to entrench themselves in the provisional government, now in its third month.

The Communists' drive to organize the Salvadoran peasants

BACKGROUND

Lt. Col. Oscar Osorio, a leader of the 1948 revolution against a discredited dictatorship, was President of El Salvador from 1950 to 1956. A strong President, he nevertheless sought to rule democratically and to attack the country's basic socio-economic problems. He chose his minister of interior, Lt. Col. Jose Maria Lemus, to succeed him in 1956. Lemus was a weak executive, unable to deal with the leftist rioting of mid-1960. Osorio masterminded the 26 October coup replacing Lemus with a six-man civilian-military junta. He has since remained in the background.

is progressing rapidly in all parts of the country and may be the prelude of a people's militia. The return from Cuba on 14 January of a delegation of Salvadoran extremists, including leaders of the Communist-front April and May Revolutionary

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

party (PRAM), may presage increased Communist activity. The generally depressed peasantry can easily be manipulated and could become an effective instrument for political action. Previous Salvadorean governments have prohibited the organization of the peasants since the bloody peasant uprising of 1932, which Communists helped instigate.

The Communists, through PRAM, are also gaining posts in the electoral machinery, and a suspected Communist holding the key post of attorney general



OSORIO

has diverted the government's security apparatus from the surveillance of Communist activity to investigation of the "brutalities and misdeeds" of the regime ousted last October. Meanwhile, the first official manifesto of the Salvadoran Communist party to be circulated in many years came to the American Embassy's attention

in mid-January. The manifesto suggests that the party has decided to operate openly and notes that the October coup "creates rather favorable conditions for the development of democratic forces."

Non-Communist political forces are preparing for the still-unscheduled legislative elections promised for later this year. Of the numerous new parties being organized, the one with the greatest apparent financial support at this time is the Social Democratic party of ex-President Oscar Osorio, who evidently hopes to regain power by legal means. Osorio has remained in the background since the October coup, avoiding all responsibility for acts of the provisional government.

Current thinking among some political leaders is that the legislature, to be elected perhaps next May, will be called on to select a new executive to replace the current provisional regime, a clumsy six-man junta.

The military plan to eliminate the Communist sympathizers from the government and to curtail Communist gains [redacted]

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[redacted] It would replace the present junta with a military triumvirate and outlaw the PRAM and any other Communist-led group. The reported plan, however, envisages continued activity by non-Communist political parties in preparation for the legislative elections. [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

PART II

NOTES AND COMMENTS

EAST-WEST RELATIONS

The USSR last week used propaganda charges of US harassment of Soviet merchant vessels to convey the impression that the new US administration is obligated to take unilateral measures to improve Soviet-American relations. In a press conference in Moscow on 12 January, Minister of Merchant Marine Viktor Bakayev charged that US military aircraft and ships were systematically conducting "provocative actions" against Soviet vessels.

The main purpose of the press conference and a subsequent note to the US on 14 January probably was to create an issue of a secondary nature which the Soviet leaders may use to differentiate between the two US administrations. Twice during his press conference Bakayev expressed hope that the "new government" of the US would denounce the actions and put an end to the "provocations of the American armed forces." He said such a move would make a "good contribution to the improvement of Soviet-American relations."

Bloc propaganda has also gone to some lengths on such other issues as Laos and Cuba to make clear that its criticism of the US was directed at the "outgoing Eisenhower administration" and to differentiate sharply between the present unsatisfactory state of Soviet-American relations and Moscow's expectations of improved relations under the new President.

The bloc has also used President Eisenhower's State of the Union message to emphasize

that improvement of Soviet-American relations will depend primarily on the attitude of the new US administration. A TASS review described the message as an attempt to "whitewash reality" and convince the new President that the present "bankrupt policy" should be continued. TASS also claimed that while the speech evoked no interest, the inaugural address of the new President was being "awaited with much interest."

Other Soviet broadcasts asserted that the change in administrations will mean a change in the atmosphere of Soviet-US relations, and that statements by members of the new administration already "testify to their correct understanding" of important international problems. The Hungarian news service reported a press editorial which presumed that the new US administration would end the "deadlock" in Western policy and resume East-West negotiations, "if not on the highest level at least under conditions making possible the examination of the most important international questions."

Soviet spokesmen have privately continued to stress the need for top-level talks on disarmament, a nuclear test ban agreement, and the Berlin and German questions. The Soviet military attaché in Turkey, obviously under instructions, sought out his US counterpart and stressed the importance of an early meeting between the new President and Khrushchev and a "rapid agreement" on disarmament.

SECRET

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

Bloc diplomats have also apparently inspired press reports that Khrushchev is prepared to withhold pressure for immediate East-West negotiations provided the US indicates its willingness eventually to discuss disarmament, a nuclear test ban, and the German question.

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25X1 [redacted] there would be "no trouble" on Berlin "for awhile," but that eventually the question should be settled on the basis of a free city. He implied, however, that the USSR would settle for a more limited agreement involving public renunciation of support for refugee and emigre organizations, which Moscow would represent as a step toward American recognition and acceptance of the situation in Eastern Europe.

This line is similar to that taken by East German party chief Ulbricht in a speech to his central committee meeting last month in which he listed removal of "harassing centers" and renunciation of "revanchist propaganda" as two conditions which would assure a "peaceful solution." These minimum demands, however, were linked to some form of recognition of East Germany.

While a period of conciliatory gestures toward the US and restraint on Berlin seems to be developing, Khrushchev has at the same time sought to maintain a certain sense of urgency over Berlin. The re-emergence of the separate peace treaty threat in private talks coincides with reports from bloc sources that Khrushchev is committed to carry out this threat if he fails to obtain

his objectives through negotiations. In his 6 January speech Khrushchev warned that the USSR was fully determined to sign a separate treaty with East Germany if the Western powers refused to recognize the "real situation" in Berlin and Germany. He gave no indication of any immediate action, but instead pledged the USSR "to continue, step by step, to bring aggressive-minded imperialists to their senses."

Ambassador Thompson believes that since the Soviet party congress--scheduled for October--follows so soon after the German elections, it is unlikely that Khrushchev will await the outcome of these elections before forcing the issue of Berlin.

Thus, while Khrushchev appears to have disregarded his earlier deadline of April--mentioned to the West German ambassador last fall--he has in effect implied a new deadline for East-West negotiations before the West German elections this September; moreover, he has made it clear that pressure on the West may be gradually applied if his campaign for negotiations appears to be lagging.

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25X1 [redacted] stressed that a nuclear test ban was a more critical problem than Berlin [redacted] when negotiations resumed, the USSR would be prepared to reach a "reasonable agreement" on the issue of the number of annual on-site inspections of areas where detection equipment indicated a possible nuclear explosion. Thus far, the Soviet delegation at Geneva has refused

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~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

to negotiate the issue since proposing three inspections in the USSR each year. The Soviets, however, have hinted that their proposal is subject to amendments, but only if the Western powers concede that the basis for determining the number of inspections will be an arbitrary political decision rather than a scientific estimate of the probable number of suspicious natural occurrences, such as earthquakes.

Thus far Soviet propaganda has not commented on American press reports of the special task force recommendation to the new President that nuclear test ban talks and disarmament

negotiations be deferred for several months.

Press reports of the full text of Khrushchev's 6 January speech, on the results of the Moscow conference of Communist leaders, indicate that it is intended as a definitive Soviet interpretation of the doctrinal and policy questions covered in the Moscow declaration of 6 December. Publication of the full text of this speech was delayed until 17 January, in the party journal *Kommunist*. Publication at this time is probably intended to complement an expected central committee resolution on the Moscow conference.

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ALGERIA-FRANCE

The rebel Algerian Provisional Government (PAG) announced on 16 January, after a five-day meeting in Tunis, that it is ready to begin negotiations "on the conditions for a free consultation in Algeria." The PAG has frequently stated that it would negotiate with France on the ways and means of setting up the future government of Algeria, including a new referendum, but reiteration at this time shows a more moderate attitude toward the French than at any time since the breakdown of talks last June. That crisis led the rebels to question French good faith and to state that they saw little chance for a negotiated settlement. The PAG now may also have communicated secretly to the French its willingness to provide guarantees for minority groups in Algeria and to negotiate on the future role of the French Army.

This departure from previous intransigence is probably a victory for moderate rebel premier Ferhat Abbas, whose stature within the PAG appears

to have been increased by the Moslem rioters' use of his name as a rallying call during the December disorders in Algeria and his participation in the Casablanca "summit" conference of African states earlier this month. The announcement was probably phrased and timed to exploit the widespread expectancy in France and among "reasonable" elements in Algeria--reportedly including many Moslems--that De Gaulle now will negotiate in good faith. A French official at the UN said on 16 January that De Gaulle would move fast to make peace with the PAG.

At the same time, the rebels clearly do not intend to do much more to smooth De Gaulle's path. Their statement repeated an earlier warning to Moslems not to cooperate with French efforts to establish a new administrative structure in Algeria.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

The rebels are also apparently continuing terrorism and military operations, and have been encouraged by the willingness of Algerian Moslems to support the FLN openly, as reflected in the high rate of Moslem abstention in the recent referendum. These attitudes indicate they feel that they will be dealing with De Gaulle from a position of strength.

Paris has maintained official silence on the PAG announcement, probably believing that public statements would harden positions and make negotiations more difficult. De Gaulle ap-

parently favors extensive preliminary private contacts with the rebel leaders as the best way to bring the two sides together without either raising false hopes in France or provoking desperate acts of opposition from the European settlers in Algeria. A further reason for caution and secrecy on Paris' part lies in the attitude of the French Army which, despite its willingness to obey orders during the referendum, remains deeply suspicious that any negotiations would result in a "dishonorable" end to the war.

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IRANIAN ELECTIONS

Iranian parliamentary elections, originally scheduled for December but postponed because of the Shah's indecision as to whether to allow voters a free choice between selected candidates, finally began last week and are expected to go on for at least several weeks. The Shah apparently has decided to use government influence to ensure that candidates of his choice win in nearly every constituency.

The rigging cannot be concealed from the public and may cause stronger protest demonstrations than those leading to suspension of elections last August.

In August the Shah appeared worried over the strength of public opposition to election irregularities; he demanded the resignation of Premier Egbal, promised a new election law, and expressed privately his determination to allow voters in future elections a real choice.

Recently, however, Egbal, who hopes to return to office, convinced the Shah that conditions in Iran still necessitate fixed elections. Incumbent Premier Sharif-Emami, who has advocated freer elections and other political reforms, is apparently acquiescing in the rigging, although he may not be actively participating. The

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Sharif-Emami

told a US Embassy official he

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

has warned provincial governors that they would be fired for any attempt to influence the outcome. The governors are under the jurisdiction of the interior minister, however, and are not likely to heed the prime minister's warning.

Publicly the government is maintaining that voters will have a real choice and will offer as evidence the candidacy of Allahyar Saleh, a popular moderate nationalist leader and former follower of ex-Premier Mossadeq.

The Shah claims he is holding elections at this time be-

cause he urgently needs a parliament to deal with mounting financial problems. There have been suggestions, however, that one of his main motives is to attempt to create a better impression of his regime in the United States.

The election, if it is completed this time, will result in a pro-Shah, pro-American government regardless of which candidates win. As Bakhtiar expresses it, however, "the real and tragic damage" will be "the irreparable widening of the gap between the regime and the people."

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DIFFICULTIES IN CHINESE INDUSTRY

Tatsunosuke Takasaki, one-time Japanese trade minister currently on a semiofficial visit to the United States, was the leader of an industrial survey mission from his country which toured Communist China from 7 to 29 October. Even though the 14-member group--one of the best qualified non-bloc economic delegations ever to visit China--was limited mainly to the large, modern showplaces, its comments on production, management, and other deficiencies evoked surprisingly frank agreement from Chou En-lai, who admitted that even the most advanced plants in China had numerous problems with low-quality output, shortages of materials, and lack of coordination in production.

In his talks with Chou, Takasaki pointed out evidence of low-quality production and concluded that there was considerable room for reduction of waste in both materials and manpower. He noted, for instance, that the products of the Harbin ball-bearing plant were of inferior grade and would be re-

jected in Japan. At Anshan, the Japanese were impressed with the operation of the blast furnaces but criticized the processing of rolled steel products. The quality of rails and seamless tubes was described as adequate, but production of thin steel plates was considered "very inferior."

Output at the Changchun automobile plant was only 16,000 units; the Japanese thought it should have been 80,000. Takasaki pointed out that the smaller Toyota plant in Japan was producing 120,000 units a year. The Japanese were amazed that trucks were being equipped with gasoline rather than diesel engines. Chou acknowledged that the use of diesel engines would mean a great saving in oil, but he explained that the plant had been planned and designed by Soviet technicians, and "since Soviet trucks use gasoline, gasoline engines were manufactured."

At the Sanmen Gorge dam, the mission got the impression that Soviet delays in delivering --or installing--the turbogenerators

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

was holding up completion of the project; the structure is already finished. Chou attributed the failure of the Dairen shipyards to complete the 13,000-ton freighter Leap Forward to the lack of control equipment. He said that "we find it necessary now to produce these items (of equipment) domestically," and that there were many instances where other industries were going through the same experience. It is not clear if Chou was implicitly criticizing the Soviets for lack of support, but the time of the conversation--October 1960--coincided with the period when China must have been feeling the pinch of Moscow's withdrawal of Soviet technicians.

Chou admitted there was much waste and a serious lack of coordination in production; he ascribed this to the policy of trying to carry out basic construction and production at the same time. Lacking sufficient machinery and equipment, the Chinese had to depend on mass manpower, or "human wave" tactics, Chou acknowledged. He said there is also still a real shortage of materials in China, and cited steel products and coal as examples. He rejected Takasaki's offer of Japanese technical aid to ease these shortages, however, and left little hope of greatly expanded trade contacts.

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PEIPING SEES NO CHANGE IN RELATIONS WITH US

The recent publication of separate interviews granted last November by Premier Chou En-lai and Foreign Minister Chen Yi is the latest authoritative review of Peiping's foreign policy outlook. Neither man foresaw any change in basic US policies when the new US administration takes office. Chou asserted that he could see no real differences between the Republicans and the Democrats on China policy, while Chen was pessimistic over the prospect for any improvement in Sino-US relations over the next decade.

In other commentaries, Peiping has labeled the new secretaries of defense,

state, and treasury as "representatives of US monopoly groups most anxious to commit aggression" and has cited Dean Rusk's recent testimony before Congress as evidence that the US will continue "its policy of hostility" toward Communist China.



CHOU EN-LAI



CHEN YI

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

Peiping has made it clear that it regards Taiwan as a principal stumbling block to improved relations. Premier Chou termed it "inconceivable" that diplomatic relations could be established as long as there are US forces on Taiwan and in the strait area. The Chinese leaders regard this as a long-term problem, since they do not expect the Kennedy administration to withdraw US forces and do not believe it feasible to "liberate" Taiwan at present.

The Chinese foreign minister declared that the possibility of "liberating Taiwan peacefully" might emerge in 10, 20, or 30 years when China had increased its "national strength." Chinese officials have never ruled out the use of force to take Taiwan, but Chen did say that Chinese Communist forces would not attack US forces unless attacked first.

By implication Chen Yi rejected the idea that admission to the UN would soften Communist China's militant posture. He pointed out that even after China joined, it would not support UN actions unconditionally. He indicated that China would support UN actions when they were "right," as in the Suez crisis, but would not do so when they were "wrong," as in the Congo. For his part, Chou En-lai repeated earlier assertions that Communist China would not consider sitting in any international body along with the Chinese Nationalists.

Both Chou and Chen attempted to play down the seriousness of the Sino-Soviet dispute, claiming that there were no differences of opinion between the two on really basic issues. Chen insisted that Sino-Soviet unity "remained, remains, and

will remain unshaken." This stress on unity continues to be a central theme of Communist China's propaganda.

Both acknowledged, however, that this basic unity does not mean that Peiping and Moscow see eye to eye in every respect. Chen, for example, intimated that in foreign policy the two differed in their attitude toward the US, summit diplomacy, the Kennedy administration, Taiwan, and China's UN seat.

Domestic matters also cloud the relationship, Chen suggested, mentioning the leap forward and communes as products of a purely Chinese environment. The Soviets have found these policies and the claims advanced for them objectionable. Chen indicated that the leap forward would be dropped this year, a year of "readjustment" before "leaping forward" again in 1962.

In an unusually candid appraisal of the actual state of the relationship, Chen asserted that neither the USSR nor China can force the other to adopt or drop a particular policy. He also "took exception" to the opinion that China's industrial development would not have reached its present state without Soviet help.

Chen intimated that Peiping's reaction to Soviet economic sanctions--e.g., the sudden withdrawal of Soviet technicians last summer--would be to lessen Chinese dependence on Soviet help. He suggested that China could never be completely free from Soviet, or other, political pressures until it had gained economic independence, and that China was determined to achieve this.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

USSR CENTRAL COMMITTEE PLENUM ON AGRICULTURE

In a speech to the central committee plenum on 17 January, Khrushchev again took the initiative in the latest attack on the USSR's chronic internal problem, agricultural production. For the second successive year agriculture has apparently made little or no headway toward the goals scheduled under the Seven-Year Plan (1959-65). The key grain crop will probably be about the same as last year's mediocre harvest and considerably below the record of 1958.

The draft of Khrushchev's speech was entitled "theses," which sets it a peg above his usual orations. Khrushchev has issued "theses" of major consequences to the economy on three prior occasions: the reorganization of industrial management in 1957, the machine-tractor station reform in 1958, and publication of the control figures for the Seven-Year Plan (1959-65).

While the speech itself is as yet unpublished, preliminary reports indicate that it calls for fundamental changes for agriculture which may modify features of earlier reforms. At present the Ministry of Agriculture bears responsibility for the entire agricultural operation--about 6,500 state farms, which are state enterprises similar in operation to industrial enterprises, and over 50,000 collective farms, which are profit-sharing enterprises operated on state lands and under state direction.

Judging from plenum reports, the Ministry of Agriculture will concentrate on scientific research and its practical application, and on the training of agricultural personnel. The extent to which the ministry will be divested of its admin-

istrative role is not known. A new organization is to be created to supply farms with agricultural equipment, spare parts, fertilizer, and other supplies; to act as middleman between farms and factories; and to be responsible for machinery repair-depots and rural construction. Such an organization could be given sufficient authority to become an important focal point of government and party control over agriculture.

The role of leadership apparently has undergone a thorough airing at the plenum. Repeated references by Khrushchev to the obligation of a leader to resign his post if he is unable to fulfill his duties and the recent firing of Vladimir Matskevitch as minister of agriculture serve to warn agricultural officials that they must improve their work or suffer the consequences, and may portend other high-level dismissals.

As speaker after speaker arose at the plenum to admit to mediocre progress, Khrushchev bore in with peppery--sometime vitriolic--comments on corrupt leadership which has winked at statistical falsification and otherwise violated state discipline. He cautioned one official to "spend less time on your speeches and provide more corn" and warned that "autumn will come and you will have to account for what you are saying here today."

The plenum's emphasis on statistical manipulations suggests that these practices must be sufficiently widespread to cause the regime considerable trouble. Such irregularities apparently are the result of pressure from above which forces managers to assume obligations far beyond reasonable expectations.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

Programs outlined at the plenum--increases in machinery and construction materials, land reclamation and irrigation projects, and increases in mineral fertilizer production--support other indications that capital investment for agriculture is to be raised; remarks by presidium member Nikolay Ignatov just prior to the plenum suggest that the increase may be as high as 15 percent of total agricultural investment scheduled for the plan period. Although some of the planned increases may have been decided on recently, at least part have been scheduled for some time. It was announced last May, for example, that agricultural machinery output was to be 30 percent higher for tractors and 35 percent higher

for grain combines than envisaged under the original plan.

The present progress in meeting over-all investment goals suggests that agriculture could be given a considerable increase without appreciable effect on industrial production goals, most of which are being overfulfilled. However, the regime's decision announced last December to increase certain industrial production goals above original plan goals will reduce the capital available for furthering agricultural production and thus will limit the flexibility of the investment program, making any choices between advancing agriculture or industry more critical. [REDACTED]

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YUGOSLAVIA ATTEMPTS TO EXPLOIT BLOC DISUNITY

Recent Yugoslav moves against Albania and Communist China apparently are intended to demonstrate that these countries, contrary to the policy of the USSR and other bloc states, continue to maintain a hostile attitude toward Belgrade. The Tito regime is thus seeking to call attention to--and, if possible, increase--disunity within the bloc concerning the Yugoslav problem; it hopes in this way to aggravate Moscow's over-all difficulties with Peiping and Tirana. Peiping has to date limited its response to Yugoslav provocations to propaganda attacks; Albania has increased the volume and bitterness of its verbal assaults and may step up its subversive activities against Yugoslavia.

While most bloc states maintain normal state and trade relations with Yugoslavia, Peiping and Tirana conduct diplomatic relations only at the

chargé level, and Belgrade does not anticipate signing trade agreements with those countries for 1961. On 8 December--subsequent to the publication of the Moscow statement of world Communist leaders--Belgrade lodged an official protest with the Chinese chargé over insulting remarks made by Chinese Premier Chou En-lai on 28 November at Albania's National Day reception in Peiping.

On 15 December the New China News Agency correspondent in Yugoslavia was reportedly shot at while on his way to a news conference. When the Chinese protested the incident on 28 December, alleging police malfeasance and official Yugoslav complicity, Belgrade charged that the correspondent's automobile windshield had been broken by a stone thrown up from the road and that the Chinese allegations were characteristic of Peiping's malevolence toward Yugoslavia.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

Belgrade has also labored to document its contention that Albania is waging an intense campaign of subversion against Yugoslavia, particularly in the Albanian minority areas. On 28 December and 6, 11, and 17 January, Belgrade held trials of ethnic Albanians charged with spying in Macedonia, the Kosmet, and Montenegro for the Albanian Intelligence Service. Each trial was followed by a formal protest note to the Albanian chargé in Belgrade. Yugoslavia has also claimed that 29 persons were tried in 1960 for spying for Albania and that Albanians made 14 armed incursions into Yugoslavia during the year.

Moscow has clearly indicated that--concerning Yugoslavia--it did not compromise with Peiping and Tirana at the recent Moscow meeting and thus does not intend to wage any militant campaign against Belgrade. Soviet diplomats in Belgrade have admitted the

existence of Albanian-Soviet differences, most bloc states have signed or are negotiating long-term trade agreements with Yugoslavia, and some bloc leaders in recent speeches have indicated that their relations with Belgrade are satisfactory.

Hoping ultimately to be readmitted to the "socialist world" on its own terms--including the retention of its full sovereignty and its right to expound independently on doctrinal problems--the Tito regime has always welcomed signs of bloc disunity and has long sought to convince the USSR that all vestiges of "Stalinism" must be condemned. It views the Soviet positions in the Sino-Soviet dispute sympathetically and hopes to discourage any inclination on Moscow's part to compromise with the hard-line policies of Peiping. Immediately, Belgrade probably hopes to deter the bloc from sending high-level delegations to next month's Albanian party congress.

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POLISH CHURCH RESISTS REGIME ATTACKS

During the latter part of 1960 the Roman Catholic Church in Poland was forced to defend itself against a renewal of severe and partially successful regime pressures. The end of the year was marked by a reassertion of the church's rights by the cardinal primate and his close advisers.

Cardinal Wyszynski declared in a sermon on Christmas Day that Poland's rulers "must not forget that they rule people and not cattle." He protested the recent elimination of two religious holidays, ridiculed the government's economic justifications for this action,

and restated his opposition to the officially sponsored birth control program. He then brushed aside as interference in internal Polish affairs criticism from other Communist states that the church has "too many rights."

The new year opened with an even sharper sermon by Bishop Choromanski, the primate's secretary, who noted that the situation had deteriorated considerably during the past year, and that, as a result of state violation of the 1957 church-state agreement, the teaching of religion in schools had been virtually abolished. Choromanski

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

charged that the regime had attempted to influence the training of priests and to force the church to acquiesce in this by drafting seminarians into the armed forces. Referring to the long troublesome problem of taxes on church property, he reiterated the church's position that they are too burdensome to be met.

On 9 January in an extraordinary speech before the Polish parliament, Stanislaw Stomma, chairman of the "Znak" group of Catholic deputies--which often represents the views of the cardinal although it sometimes differs on tactics--declared that church-state relations are unsatisfactory and that he was pessimistic about the future. Without elaborating on "mounting difficulties and social curbs on the church," Stomma stated that Znak had presented a list of grievances to state authorities, but said to discuss them publicly would be a "mere protest gesture." Instead, he emphasized that his group--and by implication the cardinal--remained advocates of a "reasonable modus vivendi... in the interest of Poland," and would continued to seek "realis-

tic improvement of the situation."

Catholic circles in Poland have interpreted the sequence of events--particularly Stomma's speech--to indicate a desire on the part of the primate to reconvene the Mixed Church-State Commission. The deliberations of this body concerning outstanding problems were suspended on party orders last spring in the wake of religious riots.

In taking a firm position against regime pressures, while at the same time professing a desire for reasonable solutions, church leaders probably are looking toward the national elections scheduled for 16 April. In contrast to 1957, regime spokesmen have as yet shown no interest in obtaining church support for the Communist-dominated slates. Nevertheless, party chiefs undoubtedly are concerned that church opposition to their programs might result in a boycott of the election or even civil disorders on election day. Thus, the strong positions taken by Wyszynski and his representatives may induce the government to resume negotiations with the church and possibly even settle some minor issues. [REDACTED]

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SOVIET ARMS DELIVERIES TO IRAQ

The large-scale Soviet deliveries of arms and military equipment to Iraq which were begun in late November apparently will continue through the first few months of 1961. Soviet merchant ships have transported military cargo to Basra--including T-54 medium tanks, artillery and large quantities of ammunition, trucks, and other materiel. There are indications the new arms will be used to form additional combat units rather than

to replace weapons now in existing army components.

The current deliveries probably are the result of the second Soviet-Iraqi arms deal, negotiated during the past summer [REDACTED]

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Under this agreement Iraq is scheduled to receive MIG-19 jet fighters and possibly large AN-12 military transports.

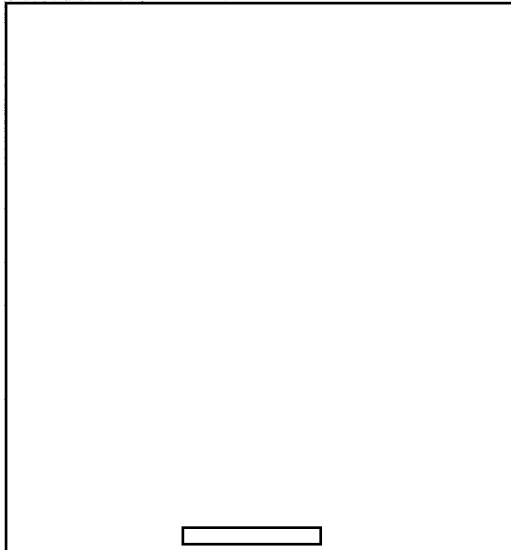
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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

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[redacted] negotiations for additional materiel apparently were undertaken in June 1960. On 20 July the Soviet military attaché reportedly informed [redacted]

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[redacted] that the USSR would provide 16 MIG-19s and three Antonov transports to Iraq. An Iraqi military mission traveled to the Soviet Union in September, ostensibly to witness Soviet maneuvers but more likely to conclude the new arms agreement.

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Although only a small quantity of the new arms deliveries have been identified, no jet fighters have been observed. Moscow may be attempting to coordinate the shipment of such aircraft to Iraq with scheduled deliveries to the UAR in order to obviate any complaints of Soviet preference from either Cairo or Baghdad.

[redacted] (Prepared by
ORR)

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Although the USSR had since late 1958 provided Iraq with large quantities of weapons and military supplies--including combat jet aircraft, land armaments, and motor torpedo boats

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INDONESIAN MISSION TO MOSCOW

The high-level Indonesian mission which visited Moscow from 2 to 6 January negotiated further arms purchases, principally of aircraft and armaments, and apparently signed a naval agreement negotiated several months ago. New Soviet credits of some \$300,000,000 raise the bloc's over-all commitments to Indonesia to a total of approximately one billion dollars--about evenly divided between military and economic credits. The mission was also intended to emphasize to the West the importance of Indonesia's claim to Netherlands

New Guinea in shaping Djakarta's foreign policy.

Indonesia has made clear that in 1961 it plans to expand its efforts to acquire New Guinea. The Indonesian mission to Moscow--led by Army Chief of Staff General Nasution and including Foreign Minister Subandrio, Air Force Chief of Staff Marshal Suryadarma, and high-ranking staff officers of the three services--has been repeatedly justified by Nasution and others as necessary to counter Dutch reinforcements--actually meager--sent to New

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

The naval agreement apparently had been negotiated in the latter half of 1960. It provides for a wide variety of naval vessels, including additional submarines, and equipment for amphibious operations.

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The joint Soviet-Indonesian communiqué, published on 8 January, was brief and moderate in contrast with most pronouncements issued with Asian-African officials who visit Moscow. Moscow endorsed Indonesia's "just demand" for "reunification" with New Guinea, and the two parties jointly supported the struggle against colonialism and the need for general and complete disarmament. The moderate tone of the communiqué probably can be attributed to General Nasution, who is anti-Communist.

Guinea. Indonesia's continuing arms purchases from the bloc are partially intended to impress the Netherlands and the West generally, not only with the seriousness of Indonesia's intent but with the additional threat of possible Soviet support of Indonesia when and if Djakarta chooses to launch an overt attack against New Guinea.

The Soviet hierarchy, at receptions for the Indonesians, went much further in supporting Djakarta's claim to New Guinea than the formal communiqué indicates. First Deputy Premier Mikoyan not only assailed the Dutch hold on New Guinea but accused Dutch troops there of "outrages against the peaceful inhabitants," with the sanction of the NATO bloc. The timing of a Soviet note of 7 January warning the Dutch of the hazards of accepting nuclear weapons from the US was probably intended to impress Djakarta, which has presumably received Soviet assurances of continued, full diplomatic support in the New Guinea campaign.

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the USSR would provide 20 MIG-19 and 20 MIG-21 jet fighters and some bombers--presumably TU-16s. There are indications that final agreement on aircraft was not reached during the negotiations, apparently because Moscow--which thus far has promised to provide MIG-19s only to the UAR and Iraq--was unwilling to agree to the mission's request in its entirety.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

WEST GERMAN RELATIONS WITH THE SOVIET BLOC

25X1 Adenauer's government has made cautious overtures to both Moscow and Warsaw in recent weeks to create a "better atmosphere" in Bonn's relations with the Soviet bloc. In view of the national elections this year, Adenauer probably wants to convince the German public, as well as the new US government, that he can be flexible in dealing with the East and that he is not, as Soviet propaganda often depicts him, an obstacle to an international detente.

In December, the general manager of the Krupp industrial enterprises, Berthold Beitz, visited Warsaw unofficially but with Adenauer's approval to discuss prospects for immediately expanding trade between the two countries and eventually establishing diplomatic relations. Premier Cyrankiewicz apparently told Beitz that Warsaw would be willing to establish diplomatic ties without insisting on immediate German recognition of the Oder-Neisse line.

25X1 After Beitz' return from Warsaw, Adenauer on 11 January called publicly for better relations with Poland.

In

BACKGROUND

Bonn, which insists on its right to speak for all of Germany and denies the legal existence of the East German regime, has under its so-called "Hallstein doctrine" refused to maintain diplomatic relations with any country other than the USSR which recognizes East Germany. Bonn has also refused to recognize the Oder-Neisse border between East Germany and Poland, established under the 1945 Potsdam Agreement when Poland provisionally received former German territories east of this line.

his public statement, however, Adenauer emphasized the need for caution and implied that establishment of a West German trade mission in Warsaw might be a proper first step toward improving relations with Poland. In 1958 an attempt to improve relations by such a gradual approach failed because of Warsaw's insistence on immediately resuming full diplomatic ties.

Adenauer has frequently said that Khrushchev, unlike former Soviet rulers, is a man one could talk to. In early January, West Berlin Mayor Brandt told the US ambassador in Bonn that Adenauer was thinking about meeting with Khrushchev, but the Foreign Ministry at the same time denied this to the US Embassy, saying the rumors were Soviet instigated. Adenauer has long been concerned over a possible detente in US-Soviet relations at Bonn's expense and wants to be able to anticipate any such development. Through relatively small but unilateral initiatives toward the East, he is trying to show that Bonn wants a voice in any high-level East-West negotiations during the coming year.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

MACMILLAN'S FORTHCOMING VISIT TO DE GAULLE

Prime Minister Macmillan's visit to President de Gaulle on 28 and 29 January will involve a general exchange of views as proposed by De Gaulle rather than a detailed consideration of any individual issues. Macmillan is taking no official advisers with him. Major East-West trouble spots such as Laos and Berlin, the means of combating Communist influence in Africa, and the differences between European trading blocs will probably receive major attention, as well as an appraisal of the new American administration.

The talks will take place against a background of somewhat improved Anglo-French relations since last October, when Lord Privy Seal Heath encountered long periods of silence during his visit to Foreign Minister Couve de Murville. Paris has apparently acquiesced in London's providing aid to Mali in the fields of civil aviation and internal security organization to help combat Communist penetration in former French West Africa. The Common Market countries on 1 January started toward an eventual common tariff on imports from nonmembers without exchange of recriminations between London and Paris. Mainly, however, the improvement seems less due to a narrowing of differences than to a lack of events to aggravate them.

Macmillan's main interest in the talks, according to a Foreign Office official, is the differences between the Common Market (EEC) and the British-backed Outer Seven, or European Free Trade Association. Macmillan hopes to persuade De Gaulle to give positive encouragement to talks at the expert level on specific trading problems. Similar talks have taken place between British and West German experts following the Macmillan-Adenauer meeting last August, and later between British and Italian. While it regards economic relations as the immediate issue, London is more worried that any political consolidation of the six Common Market countries under De Gaulle's leadership would end British chances of wielding significant influence on the Continent.

De Gaulle probably seeks in this informal week-end meeting to reinforce the presently improved atmosphere of Anglo-French relations. He may also consider the meeting an assurance to Macmillan that Britain is not being isolated from decisions on the Continent in light of the planned De Gaulle - Adenauer meeting on 9 February and the EEC heads-of-government meeting on 10 February.

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SPANISH-SOVIET TRADE RELATIONS

Spain is trying to expand its trade with the Soviet bloc apparently in order to cushion an expected drop in exports to Western European countries. Over the past few years Spain has gradually built up a favorable balance of trade with the bloc through increasing exports

of citrus fruits and other agricultural products, plus a few minerals. Commerce Ministry officials have been trying for over a year to encourage oil imports from the USSR as a means of using accumulating trade credits.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

Two Spanish refineries recently were requested to consider procurement of Soviet crude, presumably as part of a barter deal. Both companies refused on the grounds this would violate advantageous long-term contracts with British and American firms. However, the state petroleum distributing monopoly CAMPSA subsequently agreed to take some 200,000 tons of Soviet diesel fuel to help meet current shortfalls of 300,000 tons.

One of the refineries was also asked to release for sale to the Soviet Union a 35,000-ton oil tanker now being outfitted. The company refused, even though offered in exchange a 42,000-ton tanker on which construction was recently begun. The Commerce Ministry reportedly has requested bids from Spanish shipyards on tanker construction for the USSR, and work on two tankers is said to be under way. One of these may be the 31,000-ton tanker in Cadiz which the director general of foreign commerce in November was reportedly trying to earmark for a barter deal involving Soviet wheat.

Spain has no diplomatic relations with the Soviet bloc,

and its trade with this area has been negligible until recently. In 1959, Spain's trade with the USSR was valued at about \$9,000,000 and that with the bloc as a whole at about \$40,000,000--approximately 2 percent of total Spanish trade.

Soviet orders would help the ailing Spanish shipbuilding industry, in which the government has a substantial controlling interest. Despite its avowedly anti-Communist orientation, the Franco regime may be tempted to ease the stringent controls it exercises through the Commerce Ministry in the form of export licenses for strategic items such as tankers. During the past several months Moscow has attempted to acquire new tankers from the Netherlands, Italy, and other West European countries, as well as from Japan.

The Commerce Ministry is probably anxious also to expand Spanish exports to other areas outside the European Common Market (EEC), anticipating that Spanish products will encounter increasingly stiff competition when the EEC becomes fully effective. At present the EEC imports far more from Spain than it exports.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

PART III

PATTERNS AND PERSPECTIVES

PUBLIC AND PARTY INSTABILITY IN EAST GERMANY

In the face of continuing public discontent and serious economic problems, East German party boss Walter Ulbricht in recent months has sought to build up his personal power and develop a new top-level team of younger men to help him with his pressing problems. His task has been made more difficult by the necessity of accommodating himself to Soviet "coexistence" policies and by Khrushchev's decision to postpone a settlement of the Berlin problem pending a new round of negotiations with the West.



ULBRICHT

In early December Ulbricht returned from his month-long stay at the conference of Communist leaders in Moscow in what appeared to be a considerably chastened mood. He may have been scored by Khrushchev for his reluctance or inability to repress "sectarian and dogmatic" tendencies in the Socialist Unity party (SED) and his failure to win the cooperation of the East German populace for the Communist program.

The East German party, since its fifth congress in July 1958, had been hard-line, and

pro-Chinese sympathies had flourished, particularly among middle-level functionaries. Moreover, after the breakdown of the summit meeting in Paris, some SED members were openly critical of Khrushchev for not signing a separate treaty with the East Germans which would settle the Berlin question in their favor and put an end to one of their worst problems--the flow of refugees to West Berlin.

Ulbricht's address to the 11th SED central committee plenum in mid-December was unusually frank and revealing. He criticized those "who believe that peaceful coexistence may weaken the position of socialism," clearly pointing to the many SED members who have only reluctantly overcome--or hidden--their preference for Chinese Communist methods. He disclosed his own leanings toward harsh methods in his statement that "we had to, and still must, compete with imperialist and capitalist West Germany with open frontiers--this is not easy." Speaking of Bonn's termination of its trade agreement with the East Germans, he admitted: "There are other problems which are not dependent on us alone and we need a little more time to solve them."

He confessed to his "dear comrades" that "sometimes there is reason for dissatisfaction in the German Democratic Republic (GDR)," mentioning complaints about internal trade, lack of raw materials, and--especially--flights of professional men, engineers, teachers, and scientists to the West.

Purges

Ulbricht, however, has not called for any general relaxation of internal pressures. On the contrary, he is increasingly

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CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

resorting to a neo-Stalinist cult of personality to enhance his prestige and is continuing a purge of weak or confused officials. These measures are being carried out by former Defense Minister Willi Stoph, who last July was appointed special coordinator to oversee the ex-



STOPH



NEUMANN

While there is no evidence that a strong opposition element is developing within the party, such as that which was led by Karl Schirdewan prior to his ouster in February 1958, the patience and endurance of party functionaries and rank-and-file members have been

sorely shaken by the continuous personnel changes, the difficulty of making rapid adjustments to the shifting Soviet and East German party lines, and the burden of attempting to achieve unrealistic economic goals. Many of them have begun to display clear signs of belonging to what one observer has referred to as the "tired Communist generation."

ecution of the policies of the central committee and the council of ministers, and by SED cadre chief Alfred Neumann, who, like Stoph, is a politburo member and hard-line Communist.

Several of East Germany's 14 districts, including Dresden and Neubrandenburg, have undergone drastic shake-ups of party and state organizations in recent months, and Magdeburg, a key industrial district headed by candidate politburo member Alois Pisknik, may be slated for a purge. To date the shake-up has not yet extended to the politburo, but this may follow.

Party Morale

A mass screening and indoctrination of all SED members has been in progress since November, also under Neumann's direction, as part of an exchange of all membership documentation. Reportedly, the party leadership originally had planned to purge 20-25 percent of the membership in the course of the exchanges. As a result, more and more SED members fled to the West.

Economic Problems

Over the past two or three years, the regime had considerable economic success, thereby reducing public antipathy to Ulbricht. In the past few months, however, the economic situation was less favorable than in 1958 and 1959. The principal problems are the slowing down in the rate of industry growth--from 10-12 percent to 7-8 percent in 1960--and the collectivization of agriculture. These problems were accentuated by West Germany's threat to cut off trade after 31 December.

In December 1960, at the point when the negotiations with the West Germans over internal trade were beginning, the East Germans attempted to get assurances of Soviet economic aid in case the negotiations were not successful. Moscow apparently told Ulbricht to adjust his plans to existing resources and reach an agreement with the West Germans to continue trade, if this could be done without any sacrifice of "sovereignty."

SECRET

18 January 1961

The Intelligentsia

To deter such flights, the regime has announced extensive concessions to professionals and intellectuals, including better housing and a reduction of political pressures. The flights are continuing, however, suggesting that these groups are reluctant to believe that Ulbricht is offering anything but a temporary respite.

personnel already exist, Ulbricht's problem is not only to deter further flights but also to persuade intellectuals to return to East Germany. Some, in fact, have come back, but the return flow in 1960 appears to have been smaller than in 1959. Ulbricht's current appearance of moderation is obviously intended to speed the return flow and may,



if continued, eventually have some effect. On the other hand, any intensification of bloc pressures on West Berlin would stimulate more escapes.

Industrial Workers

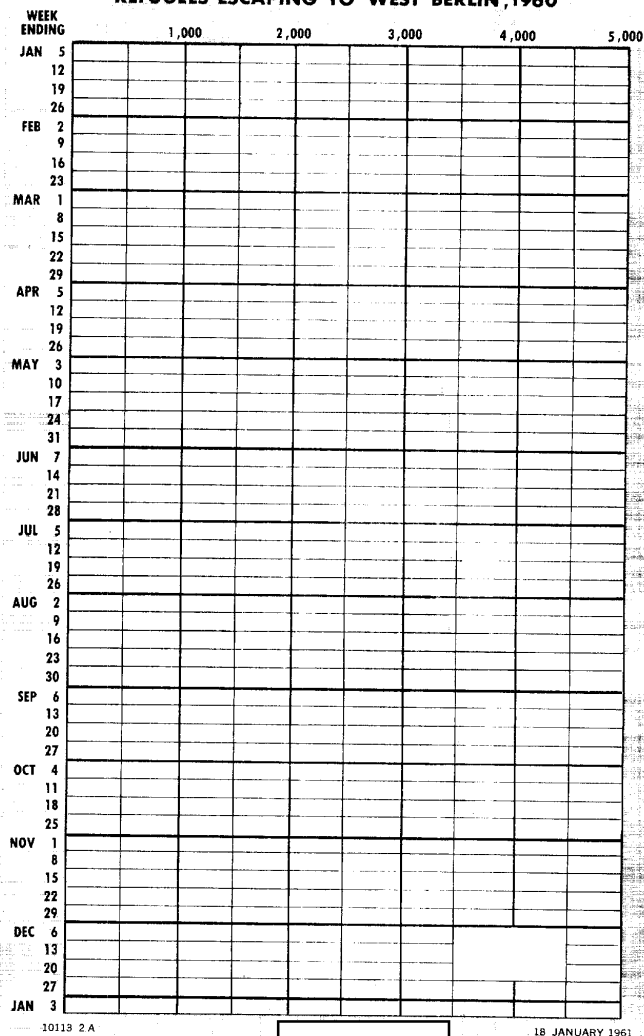
The regime continues to operate on the basis of a modus vivendi with industrial workers, showing great caution in enforcing policies which might lead to

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

REFUGEES ESCAPING TO WEST BERLIN, 1960



antiregime demonstrations or increased sabotage. Although the attitudes of working men are somewhat enigmatic, there has been some evidence of open criticism of the harsh character of the new labor code introduced last fall.

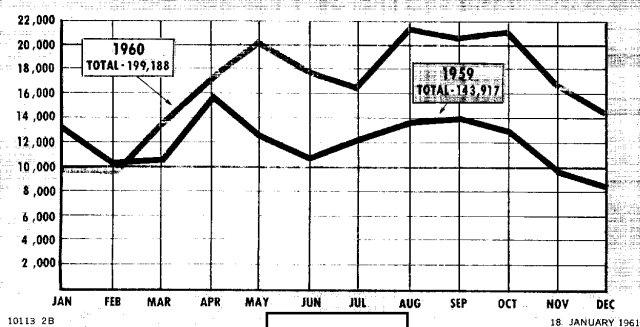
Despite recurrent reports of strikes and sabotage, however, there appears to be no disposition among workers to resort to open resistance. On the other hand, the regime's current demands for greatly increased industrial production may, if supported by the introduction of new work norms, cause a rapid deterioration of this semidetente with the workers.

Youth

The regime has been plagued in recent months by a succession of riots in southern cities, especially Dresden, involving fighting between youths and police. The riots are attributed to the evil influence of Western radiobroadcasts and trashy Western literature, and some of the participants have received heavy jail sentences.

The disturbances probably indicate a high degree of restlessness and indiscipline, rather than political resistance, but they point up the youth organization's lack of success in developing obedient

EAST GERMAN REFUGEE FLOW TO WEST BERLIN AND WEST GERMANY



10113 2B

18 JANUARY 1961

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

Communists. The flight of young people, moreover, is continuing at a high rate, a particularly bitter blow when--as is frequently the case--the regime has paid for the higher education of such defectors.

The Church

The regime has not relaxed its efforts to bring the Evangelical Church--the only remaining organized opposition element in East Germany--under closer control. While the regime has made considerable progress in weakening the links with the West German church, it has not yet been able to force the East German bishops to give open support to its policies nor has it been able to break the West German ties entirely.

The election of the moderate Bishop Krummacker of Greifswald as leader of the East German bishops, rather than overtly pro-regime Bishop Mitzenheim of Thuringia, probably was a source of considerable dissatisfaction to the State Office for Church Affairs. The pastoral letter read in Protestant churches on 4 December urging East Germans not to flee to the West, moreover, actually reflected defiance of the regime, since it stressed the "special burdens" and sufferings which Christians would endure by remaining "where so much in the church is being shattered."

These circumstances may account in part for the regime's decision to publish on 11 January an announcement that--for the first time--it would not permit the Evangelical Church congress to meet in "democratic" Berlin this summer. Church officials had proposed to hold meetings in both East and West Berlin, in order to underline the unity of the church and its all-German character. Claiming that the "German Evangelical Church authority which operates from West Germany" planned to

use the meeting for "provocations," the regime declared that it would permit the congress to take place in some appropriate East German city, with West German delegates allowed to attend as guests.

Farm Problems

Adverse consequences of Ulbricht's all-out collectivization campaign last winter still plague the regime. Farmers are passively resisting attempts of officials to induce them to work collectively. More than 13,000 farmers are said to have fled the country during the first ten months of 1960, seriously depleting the already insufficient manpower supply in the countryside. Arson and illegal slaughter of farm animals reportedly are prevalent.

The regime apparently is counting on improved agitprop methods to induce farmers to work, and it seems reluctant to resort to the harsh methods it used to force collectivization.

Outlook

The East German regime appears to be reorganizing its party, state, and security forces for a political and economic advance some months hence, if and when Khrushchev would sanction such a move. The present leaders--Stoph, Neumann, and, above all, Ulbricht--are committed to hard-line procedures, although they are pragmatic rather than doctrinaire Communists. Rau and Premier Grotewohl, who are believed to have exercised a moderating force in past years, appear to have lost ground. The outlook for a protracted period of relaxation is therefore not encouraging.

The East German people, however, have been able to exercise a restraining influence on the regime, largely through their ability to flee the country through West Berlin. While in one sense this has acted as a safety valve for the regime

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

18 January 1961

by siphoning off those most dis-
affected, it has also aggravated
manpower problems and delayed
economic development. In this
situation, the regime can seek
to halt escapes by imposing
drastic controls on access to
West Berlin--a policy which Ul-
bricht undoubtedly prefers--or

it can continue its expedient,
zigzag policies, hoping to
build up strength for an even-
tual crackdown at home and show-
down with the West. The pres-
ence of strong Soviet forces
will continue to prevent any
serious explosion of popular
unrest.

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